

Final copy

ORAL TESTIMONY OF
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MAYOR OF THE CITY OF NEWARK, NEW JERSEY
ON BEHALF OF THE NATIONAL LEAGUE OF CITIES
AND THE UNITED STATES CONFERENCE OF MAYORS
BEFORE THE U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON TELECOMMUNICATIONS AND FINANCE

MARCH 20, 1991

Good morning Mr. Chairman and Members of the Subcommittee. On behalf of the National League of Cities and the United States Conference of Mayors, I thank you for the opportunity to testify today on problems plaguing cable consumers and on pending House bills which might address such problems. As you may know, the Conference represents the more than 800 cities with populations exceeding 30,000 residents, and the League represents more than 16,000 cities and towns across the nation.

Mr. Chairman, we appreciate the role your Subcommittee has taken in responding to the concerns of cable consumers across the nation. We look forward to working with you in crafting legislation that will promote competition in the cable television industry and that will alleviate some of the current concerns of cable television subscribers.

More than 700 mayors, city council members, county leaders and other local elected officials identified in a letter to all Members of Congress two weeks ago some of the critical provisions we believe Congress should include in cable television legislation. I have attached to my Testimony a copy of the letter. I respectfully request that the Subcommittee accept the letter, along with the Testimony, as part of the formal record in this hearing.

The letter, which is signed by elected officials from coast to coast and from major cities to small villages, demonstrates that cable television concerns are national concerns that affect consumers from all walks of life. The letter demonstrates that elected officials are strongly united in urging Congress to enact cable legislation that truly will promote competition and ensure that consumers receive quality, affordable cable television service. Moreover, the letter represents a resounding rebuttal to those critics of cable legislation, including James Mooney of the National Cable Television Association, who claim that local governments do not care about cable television issues. Local governments do care about cable television issues, and elected officials have on numerous occasions prior to signing the letter, expressed their concerns to Congress about problems plaguing cable consumers.

The driving force for cable legislation has been the dramatic rate increases monopolistic cable operators have imposed on cable subscribers. In the City of Newark, my constituents have suffered a 47 percent basic rate increase between 1986 and 1990, from \$12.25 in 1986 to \$17.95 in 1990. As of December 1, 1990 another increase to \$20.95 or a 71 percent increase for the basic cable package was issued. Such increases are compounded by the unfettered ability cable operators obtained once rates were deregulated to impose additional charges on cable subscribers.

In March 1987, less than three months after rates were deregulated, Gateway Cable ("Gateway"), which serves the City of Newark, began to replace all cable television converters with more expensive converters. Gateway increased the deposits for such converters from \$25 to \$50. Moreover, in May 1987, Gateway began imposing an \$8 additional set charge for both basic and premium channel connections. Furthermore, the cable operator charges a \$5.00 downgrade and upgrade fee, and charges \$3 per month for remotes. The rates for basic cable service, along with the other cable-related rates and charges imposed by Gateway, are making cable television unaffordable for many residents in Newark. Senior citizens on fixed income must choose between heating and eating and now cable TV.

In the absence of competition, the only constraint on prices under current law is a decrease in consumer demand. However, since many cable subscribers see cable as an essential service, cable operators will continue to be able to impose substantial rate increase before the loss of revenue from cable subscribers choosing to disconnect their cable service exceeds the increased and unjustifiable profits from such rate adjustments.

Cable consumers also need protection against inadequate cable service. Gateway reports that it receives an average of 375 service calls per week. The Board of Public Utilities for the State of New Jersey, which monitors complaints against operators, reports that it received 16,782 complaints in 1990. The primary areas of complaints were billing practices, poor quality of service, rate and fees, and inability to reach the cable company. A busy signal is all you receive when seeking service. In terms of such complaints, Gateway was ranked the sixth worst cable company in the state in 1988 and the fourth worst cable company in 1989. Statistics are not yet available for 1990. Of particular concern in Newark is the quality of the cable signal. The local cable operator for the City reports that 45 percent of the complaints it received last year concerned poor reception. Another 32 percent of its calls concerned the absence of a signal.

Franchising authorities have limited ability under current law to protect consumers from the problems I have just described. Congress should enact measures to resolve such problems. Local governments believe that the best solutions to such problems are provisions including a competitive renewal provision, that would stimulate competition. Until competition materializes, regulation will be needed. "Looks like a duck, walks like a duck, acts like a duck. It is a duck". Similarly, the cable industry looks like a monopoly, acts like a monopoly, it is a monopoly. These are just some of the areas ripe for legislative action. I have addressed other areas in my written testimony.

IN SUMMARY

- We do not want control or ownership of the cable industry.
- We do want improved services.
- We do want affordable rates.
- We do want improved technical standards.
- We are concerned about limitation of liability and more importantly, about meaningful renewal processes
- What we really want is to make cable TV and America better
- What we really want is the American dream of fair competition in the cable industry.

Mr. Chairman and members of the committee, I thank you for the opportunity to testify. The League, Conference and I would welcome the opportunity to assist the Subcommittee in creating legislation that will resolve current competitive and consumer protection concerns.